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FILED

OCT 21 2013

**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS & MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

NOTICE OF AGENCY ACTION FOR AN ORDER REQUIRING MARION ENERGY TO PLUG AND RECLAIM WELLS; OR FORFEIT SURETY BOND AND AUTHORIZE THE DIVISION TO PLUG AND RECLAIM WELLS LOCATED IN TOWNSHIPS 13 AND 14 SOUTH, RANGE 7 EAST, CARBON COUNTY, UTAH; AND AN ORDER REQUIRING MARION ENERGY TO IMMEDIATELY COMPLY WITH THE NOTICE OF VIOLATION FOR THE WELLS LOCATED IN TOWNSHIPS 12, 13, AND 14 SOUTH, RANGES 7 AND 10 EAST, CARBON COUNTY, UTAH.

**REQUEST FOR
MODIFICATION OF PLUGGING ORDER
FOR UTAH MINERAL STATE # 1 AND
UTAH FUEL ## 1, 2, 3, 8 & 10 WELLS**

Docket No. 2011-018

Cause No. 250-02

Marion Energy Inc. ("Marion") requests that the Board of Oil, Gas and Mining ("Board") modify its September 2012 plugging order ("Plugging Order" or "Order") with respect to the six wells that remain subject to the Order, as follows:

- With respect to the Utah Mineral State # 1 well and the Utah Fuel ## 1, 2 & 3 wells, removing such wells from operation of the Plugging Order because they have been plugged and abandoned;
- With respect to the Utah Fuel # 10 well, extending the suspension of the Plugging Order until the Board's December 4, 2013 hearing, so that Marion may continue to flow the well, which began producing gas on October 11, 2013, to allow Marion to confirm whether the well is

capable of continued production and, based on the results, either continue to produce the well or plug and abandon the well;

- With respect to the Utah Fuel # 8 well, extending suspension of the Plugging Order until the Board's December 4, 2013 hearing, so that Marion may re-enter, test, and based on the results of the test, either produce or plug and abandon the well;
- For both the Utah Fuel # 8 and the Utah Fuel #10 wells, revisit well status at the December 2013 Board hearing, at which time Marion expects to ask the Board to remove the wells from the Plugging Order either because they have proven unproductive and have been plugged and abandoned, or they have demonstrated the capability for continued commercial production.

The justification for these actions, which will be further detailed at the Board's October 23, 2013 hearing, is summarized as follows.

Utah Mineral State # 1 and Utah Fuel ## 1, 2 & 3 Wells

By Order dated July 31, 2013 ("Order on Stipulation"¹), the Board approved a stipulation between Marion and the Division which, among other things, allowed Marion to plug and abandon the Utah Mineral State # 1 well and the Utah Fuel ## 1, 2, 3 and 10 wells. Prior to the Order on Stipulation, these five wells were under Division control and the Division planned to plug the wells through third-party contract. The Order on Stipulation required Marion to place a plugging rig on one of the wells by no later than August 15, 2013, and to plug all five of the wells by the October 23, 2013 Board hearing, at which time Marion was to appear and report to the Board.

By the initial August 15th deadline Marion had plugged two of the wells (the Utah Fuel ## 1 & 2), and Marion has since plugged and abandoned two additional wells (the Utah Fuel # 3 and the Utah Mineral State # 1). For each of these four wells, Marion submitted and obtained Division

¹ Stipulation to Continue Hearing to Permit the Plugging of Certain Wells by Marion Subject to Conditions, and Proposed Order (July 30, 2013).

approval of an initial well plugging sundry under R649-3-24. Marion expects that by the time of hearing, the Division will have inspected and signed off on the plugging and abandonment of these wells and Marion will have filed the subsequent notices of plugging. Accordingly, Marion requests that the Board remove the Utah Mineral State # 1 well, and the Utah Fuel #1, 2 and 3 wells from the Plugging Order.

Marion acknowledges that it is not entitled to the return of forfeited bond monies in connection with these four wells until it complies with the restoration, public notice, and Division (or Board) approval process under R49-3-1.15, and then obtains Board approval. Marion expects that the details of how this will occur, in light of the forfeited status of Marion's bond, will be determined by the Board based on a future request by Marion and/or the Division.

The Utah Fuel # 10 well, which has not been plugged, is addressed in the following section.

Utah Fuel # 10 Well

Under the Order on Stipulation, Marion was to have plugged the Utah Fuel # 10 well by October 23rd. However, when Marion moved a rig onto the well in August to begin plugging operations, the well had high initial pressure (approximately 800 p.s.i.) and Marion was unable to blow the well down despite attempting to do so for most of August 14th and again for several hours on August 15th. Marion estimated that the well was, for a time, flowing at a rate of around 3 million cf/day.

Given the obvious prospect that this well could be a solid producer, Marion pulled the rig and subsequently, with the agreement of the Division, tied the well into the gas gathering and water disposal pipeline system in order to flow the well for a more extended period to determine if the well

can be a producer. On October 11th, Marion began to flow the well and has continued to do so to the present date, other than several periods when the Questar compressor, which is required to flow the well and put the gas into the main Questar pipeline, was broken down. Marion expects to provide flow and pressure data to the Board at the October 23rd hearing.

Unless the Utah Fuel # 10 well has clearly demonstrated that it is not capable of production by the time of the October 23rd hearing, Marion requests that the Board extend suspension of the Plugging Order for that well until the December 4, 2013 hearing. This will allow time for Marion to continue to flow and test the well. If the well shows it is capable of long-term production and is released from the plugging order at the December 4th hearing, Marion will be in a position to perform the work necessary to ensure well integrity and continued production. (Marion currently envisions this would consist of installing new 5.5 " casing inside the existing 7" casing to the depth of the perforations.) If well pressure and flow do not sustain themselves, Marion will plug and abandon the well.

Marion proposes that it appear at the December 4th hearing to report on the status of the well and seek appropriate action at that time.

Utah Fuel # 8 Well

As explained to the Board in a prior Marion submission,² the Utah Fuel # 8 was temporarily on production in 2008 but developed mechanical difficulties that Marion was unable to address due

² Request for Dissolution of Plugging Order for Utah Fuel # 8 Well and Modification of Plugging Order for Utah Fuel ## 1,2, 3, & 10 Wells, July 10, 2013 ("Request for Dissolution").

to a lack of funding, so the well was shut in.³ Marion's reserve report indicates that that if this well can be returned to production, it may be capable of producing more than 6 bcf of gas. Now that Marion has been recapitalized, it seeks to re-enter the Utah Fuel # 8 to change the down-hole configuration and determine if the well is capable of long-term production. Marion therefore requests that the Board extend suspension of the Plugging Order for the Utah Fuel # 8 well until the December Board hearing, at which time Marion will report on the status of the well and seek appropriate action at that time.

Under the Order on Stipulation, the Division agreed it would support a motion by Marion to suspend the Plugging Order for the Utah Fuel # 8 so long as Marion had, by October 23rd, plugged and abandoned the other five wells. As noted above, Marion has plugged and abandoned four of the five wells, and the only reason it has not plugged the fifth (the Utah Fuel # 10) is because that well has shown evidence of being a solid producer and Marion seeks additional time to confirm production and establish well integrity. Accordingly, Marion is hopeful that the Division will support Marion's request to extend the suspension of the Plugging Order for the Utah Fuel # 8 well until the December 4, 2013 Board hearing, as the Division committed to do in the Stipulated Order.


³ As stated in the Request for Dissolution, "In late 2008, Marion reworked and tested the Utah Fuel # 8 well and placed it on production. The well showed a bottomhole pressure of approximately 955 p.s.i. and temporarily produced at a rate of approximately 2.4Mmcf/day. The well developed mechanical difficulties, however, and was taken off production, with plans to change the downhole configuration to re-establish production. Marion then ran out of funds and was unable to implement its plan. As Marion testified before the Board at the June 26, 2013 hearing, it has now recapitalized and is able to implement its plan for the Utah Fuel # 8 well during the 2013 work season." Request for Dissolution at 2.

Based on historical and 2008 production rates and measured downhole pressures, Marion estimates that the Utah Fuel #8 well contains approximately 6.6 Bcf of recoverable reserves. By continuing the current suspension of the Plugging Order with respect to the Utah Fuel #8 well, the Board would allow Marion to re-enter the well, change the downhole configuration and, if that is successful, put the well back on production. If unsuccessful, Marion would plug and abandon the well.

Conclusion

For the reasons summarized above, that will be further detailed at the October 23rd Board hearing, Marion requests that the Board enter an order that (1) removes the Utah State Mineral # 1 well and the Utah Fuel # 1, 2, and 3 wells from the Plugging Order; (2) suspends the Plugging Order for the Utah Fuel # 10 well until the December 4, 2013 Board hearing so that Marion can continue to assess well productivity and, based on the results, either plug and abandon or put the well on long-term production; (3) suspends the Plugging Order for the Utah Fuel # 8 well until the December 4, 2013 Board hearing so that Marion can change the down-hole configuration and perform the testing needed to determine if the well is capable of long-term production, and based on the results either plug and abandon or put the well on long-term production; and (4) directs Marion to appear at the December 4, 2013 Board hearing to report on the status of its work on the Utah Fuel # 10 well and the Utah Fuel # 8 well and, if Marion seeks to remove either or both wells from operation of the Plugging Order, either because the wells have been plugged and abandoned or because they have demonstrated the capability to be long term producers, Marion will present a request and supporting evidence at the hearing.

Submitted this 21st day of October, 2013



Michael Malmquist (#5310)
Shane D. Hillman (#8194)
Parsons, Behle and Latimer
Counsel for Marion Energy

CERTIFICATE OF DELIVERY

The Undersigned hereby certifies that a true and correct copy of the foregoing **REQUEST FOR MODIFICATION OF PLUGGING ORDER FOR UTAH MINERAL STATE # 1 AND UTAH FUEL ## 1, 2, 3, 8 & 10 WELLS** was delivered by electronic/first class mail to the following persons at the addresses indicated this 21st day of October, 2013.

Mike Johnson
Counsel for the Board of Oil, Gas and Mining
mikejohnson@utah.gov

Steve Alder, Assistant Attorney General
Counsel for Utah Division of Oil, Gas and Mining
stevealder@utah.gov

A handwritten signature in blue ink is written over a horizontal line. The signature is stylized and appears to be 'W. Johnson'.

MICHAEL J. MALMQUIST (# 5310)
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**BEFORE THE BOARD OF OIL, GAS & MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

NOTICE OF AGENCY ACTION FOR AN ORDER REQUIRING MARION ENERGY TO PLUG AND RECLAIM WELLS; OR FORFEIT SURETY BOND AND AUTHORIZE THE DIVISION TO PLUG AND RECLAIM WELLS LOCATED IN TOWNSHIPS 13 AND 14 SOUTH, RANGE 7 EAST, CARBON COUNTY, UTAH; AND AN ORDER REQUIRING MARION ENERGY TO IMMEDIATELY COMPLY WITH THE NOTICE OF VIOLATION FOR THE WELLS LOCATED IN TOWNSHIPS 12, 13, AND 14 SOUTH, RANGES 7 AND 10 EAST, CARBON COUNTY, UTAH.	<p>PROPOSED</p> <p>THIRD SUPPLEMENTAL ORDER</p> <p>Docket No. 2011-018</p> <p>Cause No. 250-02</p>
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This cause came on for hearing before the Board of Oil, Gas and Mining (the "Board") on October 23, 2013 at 9:00 a.m. in the Auditorium of the Utah Department of Natural Resources Building in Salt Lake City Utah pursuant to the approved STIPULATION TO CONTINUE HEARING TO PERMIT THE PLUGGING OF CERTAIN WELLS BY MARION SUBJECT TO CONDITIONS (July 31, 2013). Having reviewed the attached REQUEST FOR MODIFICATION OF PLUGGING ORDER FOR UTAH MINERAL STATE # 1 AND UTAH FUEL ## 1, 2, 3, 8 & 10 WELLS ("Request for Modification") submitted by Marion Energy Inc.

("Marion"), and based on the submissions of the parties and the testimony presented at the hearing, the Board approves the Request for Modification and orders that:

- (1) The Utah State Mineral # 1 well and Utah Fuel ## 1, 2 and 3 wells are removed from operation of the Board's September 10, 2012 Plugging Order and restored to Marion's control. Marion is responsible for restoring the well sites and obtaining Division or Board approval pursuant to R49-3-1.15 before requesting the return of forfeited bond monies. Any such repayment is subject to Board approval.
- (2) Suspension of the Board's September 10, 2012 Plugging Order is extended for the Utah Fuel # 10 well until the December 4, 2013 Board hearing to allow Marion time to continue to flow, test and work on that well in an effort to restore the well to long term production;
- (3) Suspension of the Board's September 10, 2012 Plugging Order is extended for the Utah Fuel # 8 well until the December 4, 2013 Board hearing to allow Marion Energy Inc. re-enter, test and work on that well in an effort to restore the well to long term production;
- (4) Marion Energy shall appear at the Board's December 4, 2013 hearing and report on the status of the Utah Fuel # 10 well and the Utah Fuel # 8 well. If Marion at that time seeks to remove either or both wells from operation of the September 10, 2012 Plugging Order, either because they have been plugged and abandoned or because they are capable of commercial production, it shall file a request prior to the hearing and provide supportive evidence at the hearing.

Dated this _____ day of _____, 2013.

STATE OF UTAH
BOARD OF OIL, GAS AND MINING

By: _____
Ruland Gill, Jr., Chairman

CERTIFICATE OF DELIVERY

The Undersigned hereby certifies that a true and correct copy of the foregoing **PROPOSED THIRD SUPPLEMENTAL ORDER** was delivered by electronic/first class mail to the following persons at the addresses indicated this 21st day of October, 2013.

Mike Johnson
Counsel for the Board of Oil, Gas and Mining
mikejohnson@utah.gov

Steve Alder, Assistant Attorney General
Counsel for Utah Division of Oil, Gas and Mining
stevealder@utah.gov

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